

HOUSE BILL REPORT

E2SHB 2029

As Amended by the Senate

Title: An act relating to eliminating the economic development-related agencies, boards, and commissions.

Brief Description: Eliminating the economic development-related agencies, boards, and commissions.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Morris and Hudgins).

Brief History:

Committee Activity:

Appropriations: 4/22/13, 4/23/13 [DPS], 1/21/14 [DP2S].

Floor Activity:

Passed House: 2/13/14, 88-9.

Senate Amended.

Passed Senate: 3/7/14, 49-0.

Brief Summary of Engrossed Second Substitute Bill

- Eliminates the Washington Economic Development Commission.
- Eliminates Innovate Washington as a state agency, and creates an Innovate Washington Program at the Department of Commerce until June 30, 2015.
- Transfers the real property and master lease held by Innovate Washington to Washington State University.
- Changes requirements related to administration of the Washington Global Health Technologies and Product Development Competitiveness Program.
- Eliminates the Innovation Research Teams, Innovation Partnership Advisory Group, and the entrepreneur-in-residence programs from the Department of Commerce.
- Eliminates the Washington Tourism Commission from statute.
- Eliminates the Microenterprise Development Program.

HOUSE COMMITTEE ON APPROPRIATIONS

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 27 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Chandler, Ranking Minority Member; Ross, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Carlyle, Christian, Cody, Dahlquist, Dunshee, Green, Haigh, Harris, Hudgins, G. Hunt, S. Hunt, Jinkins, Kagi, Lytton, Morrell, Pettigrew, Schmick, Seaquist, Springer, Sullivan and Tharinger.

Minority Report: Do not pass. Signed by 3 members: Representatives Fagan, Parker and Taylor.

Staff: David Pringle (786-7310).

Background:

Economic Development Commission.

In 2002 Governor Locke created the Washington Economic Development Commission (Commission) through executive order as a means for business and labor leaders to assist in the improvement and development of the state's economy. The following year, the Legislature established the Commission in statute as an advisory body to the Department of Community, Trade, and Economic Development, now the Department of Commerce (Department).

The purpose of the Commission is to assist the Governor and Legislature by providing leadership, direction, and guidance on a long-term and systematic approach to economic development that will result in enduring global competitiveness, prosperity, and economic opportunity for all the state's citizens. In 2011 the Legislature directed the Commission to concentrate its major efforts on strategic planning, policy research and analysis, advocacy, evaluation, and promoting coordination and collaboration.

The 24-member Commission consists of 15 voting members appointed by the Governor, plus five agency directors and four legislators who serve as nonvoting ex-officio members.

Innovate Washington.

In 2011 the Legislature created Innovate Washington as the successor agency to the Washington Technology Center and the Spokane Intercollegiate Research and Technology Institute to serve as the primary state agency focused on growing Washington's innovation-based economy and to respond to the technology transfer needs of existing businesses.

Innovate Washington was created to:

- facilitate research and technology transfer opportunities supportive of state industries;
- provide mechanisms for collaboration between technology-based industries and higher education institutions;
- help businesses secure research funds and develop and integrate technology into new products;
- offer technology transfer and commercialization training opportunities for students;
- serve as the lead entity for coordinating clean energy initiatives; and
- administer technology and innovation grant and loan programs.

Innovate Washington is governed by a 15-member board. The board consists of seven private-sector executives appointed by the Governor, four legislators, the Governor or Governor's designee, the president or designees from the University of Washington and Washington State University, and the Director of the Department.

The Legislature also created the Investing in Innovation Account as a nonappropriated account in the custody of the State Treasurer. Only the Executive Director of Innovate Washington or the Executive Director's designee may authorize expenditures from the account.

Innovate Washington has a performance agreement with the Innovate Washington Foundation (Foundation) under which the Foundation delivers the services for which Innovate Washington is responsible. The Foundation is governed by a separate board of directors than the board governing Innovate Washington.

Global Health Technologies.

In 2010 the Legislature created the Washington Global Health Technologies and Product Development Competitiveness Program, to be administered by a nonprofit 501(c)(6) organization with a 10-member board of directors appointed by the Governor. This entity is required to contract with the Department for management services. The board's duties include soliciting funds from businesses, foundations, and the federal government, and making grants for development of global health technologies and products.

Grant award recipients must conduct their research, development, and production activities within Washington, except for clinical trials that must be carried out in developing countries.

The Legislature also created the Washington Global Health Technologies and Product Development Account as a nonappropriated account in the custody of the State Treasurer to be funded with federal and state monies and used to support the grants for global health commercialization efforts.

The board submitted its first required annual report in 2012.

Washington Tourism Commission.

The Legislature created the Washington Tourism Commission (WTC) in 2007, as the successor to the Tourism Development Advisory Committee.

The WTC and its activities and responsibilities were eliminated during the 2011-2013 fiscal biennium in the Omnibus Appropriations Act. The WTC accordingly ceased activity, but their responsibilities remain in statute. Among its statutory requirements are quarterly meeting requirements and a biennial report to the Legislature on tourism-related activities.

Microenterprise Development Program.

In 2007 the Legislature created the Microenterprise Development Program in the Department of Community, Trade, and Economic Development, now the Department, to assist microenterprises in job creation by increasing the training, technical assistance, and financial resources available to them. The Department provides organizational support to a statewide

microenterprise association and contracts with the association for the delivery of services and distribution of grants.

Summary of Engrossed Second Substitute Bill:

Economic Development Commission.

The statutes providing for the creation of the Washington Economic Development Commission (Commission), the Legislature's intent for the creation of the Commission, and the duties and authorities of the Commission are repealed. All statutory references to the Commission and the statewide economic development strategy are removed.

Innovate Washington.

The statutes creating Innovate Washington as a state agency, and providing for the agency's board of directors are repealed. All statutory references to Innovate Washington are removed.

The Innovate Washington Program is created in the Department of Commerce (Department) to support business growth in the state's innovation and technology sectors and facilitate statewide technology transfer and commercialization activities. The Innovate Washington Program expires June 30, 2015. The Department may contract with a nonprofit entity located in Washington that has experience facilitating commercialization and technology transfer activities to administer the Innovate Washington Program. Funds in the Investing in Innovation Account may be used by the Department directly or through contract for the stated allowable purposes, and expenditures may only be authorized by the Director of the Department.

The mission powers, duties, and functions of Innovate Washington are transferred to the Department. All reports, files, other written materials, regardless of physical form or characteristics; furniture, equipment, and other tangible property other than real property; and funds, credits, and other assets, including intangible assets, held by Innovate Washington are transferred to the Department. The Department must honor any donor-imposed conditions or restrictions imposed on donated assets.

Real property of Innovate Washington is assigned and transferred to Washington State University. The master lease for the Spokane Technology Center is also assigned to WSU, and WSU shall explore terminating the master lease. Washington State University will only rent space to entities that provided services to Innovate Washington in the Spokane Technology Center, and not in the 665 Riverpoint Building, and only at the rates charged to WSU as sublessees prior to the effective date of the act.

Innovation Research Teams, Innovation Partnership Advisory Group, and the Entrepreneur-in-Residence Program.

The Innovation Research Teams, Innovation Partnership Advisory Group, and the Entrepreneur-in-Residence program from the Department are eliminated.

Global Health Technologies.

Requirements for board membership and the 501(c)(6) status of the nonprofit organization administering the Washington Global Health Technologies and Product Development

Competitiveness Program are removed. Responsibility for contracting with the board to implement and manage the program is transferred from the Department to the Life Sciences Discovery Fund Authority (Authority). The Authority may receive up to 4 percent of the funds for administrative expenses.

Washington Tourism Commission.

The statutes creating the Washington Tourism Commission (WTC) and providing for the WTC's duties and responsibilities are repealed.

Microenterprise Development Program.

The statute authorizing the Microenterprise Development Program is repealed. Definitions of "microenterprise development organization" and "statewide microenterprise association" are removed. A technical correction is made to the definition of small business.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment removes provisions eliminating Innovate Washington, and those creating the Innovate Washington Program at the Department of Commerce. Provisions transferring the funds and property of Innovate Washington to the Department of Commerce and Washington State University are also removed.

The Senate amendment adds provisions repealing the Washington global health technologies and product development competitiveness program, rather than changing requirements for board membership and transferring management of the program to the Life Sciences Discovery Fund Authority.

Appropriation: None.

Fiscal Note: Available.

Effective Date: This bill takes effect 90 days after adjournment of the session in which the bill is passed, except for section 107 which contains a contingent effective date.

Staff Summary of Public Testimony:

See House Bill Report for the 2013 Regular Session.

Persons Testifying: See House Bill Report for the 2013 Regular Session.

Persons Signed In To Testify But Not Testifying: See House Bill Report for the 2013 Regular Session.